

KEY FACTORS IN THE MEASUREMENT OF THE FAIR VALUE OF INTANGIBLES

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Overview

- ▣ Common Elements Of Intangibles
- ▣ Variability Of Intangible Types
- ▣ Key Fair Value Elements
- ▣ Economics Of Fair Value
- ▣ Measurement Of Fair Value
- ▣ Measurement Of Risk
- ▣ Modeling

Common Elements

- ▣ Any Asset That Lacks Physical Substance
- ▣ The Embodiment of Rights & Privileges
- ▣ All Elements That Exists In Addition To
 - Monetary Assets
 - Tangible Assets
- ▣ Primary Contributors Of An Earning Process
- ▣ Requirement For Success
 - Input
 - Process
 - Output

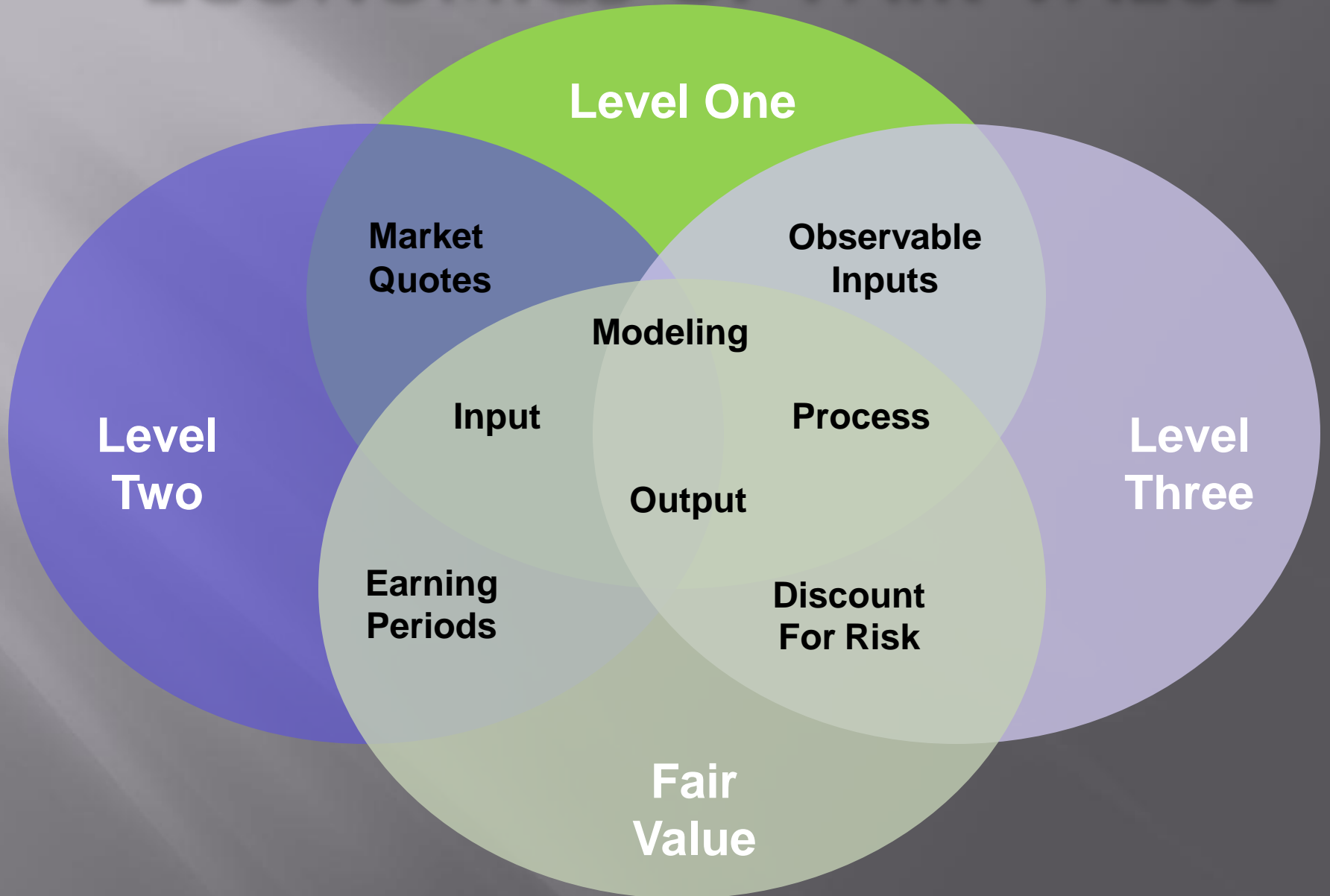
Types Of Intangibles

- ▣ Goodwill
 - Enterprise Excess Fair Value Over
 - ▣ Tangibles
 - ▣ Intangibles
 - ▣ Obligations
- ▣ Intangibles
 - Legal Rights & Privileges
 - Private Rights & Privileges
 - Relationships
 - Intellectual Property

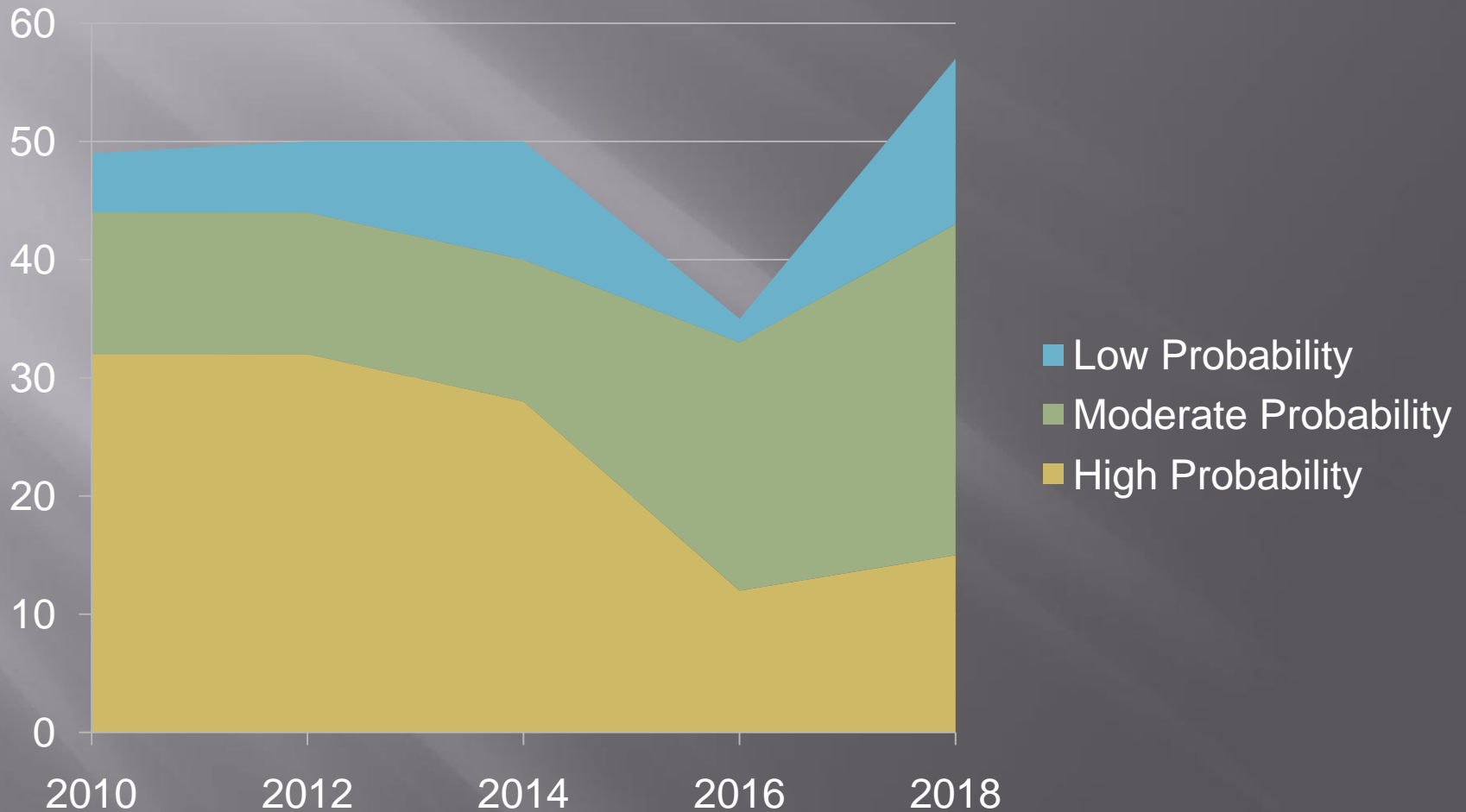
Elements

- ▣ Fair Value
 - The Price Between Market Participants
 - Creates Or Contributes To Earnings
- ▣ The Earning Process
 - Inputs
 - Process
 - Output
- ▣ Evaluating Risk (CRMA)
 - Expectation
 - Expectation With It's Utility & Disutility

ECONOMICS OF FAIR VALUE



Levels Of Earnings



Measurement Of Risk

- ▣ Insurance Contract Example
 - Model For Profit Recognition Is Changing
- ▣ Future Changes
 - Periodic Measurement Vs Single Attempt
 - Expected Risk Adjusted Cash Flows
 - Present Value Of Expected Cash Flows
- ▣ Profit Recognized
 - Release of Risk Probabilities
 - Changes In Experience
 - Changes In Expected Cash Flows

Modeling

- ▣ Continuous Audit Functional Model
 - Periodic Tracking Of Earning Results
 - Comparison Of Results To Probability Models
 - Periodic Modification Of Utility Risk
 - Updating of Risk Discount Rates
 - Periodic Measurement of Economic Life
 - Probability Models To Test For Impairment
- ▣ Continuous Reporting Model
 - Periodic Report Of Results